

OPEN MEETING ITEM



0000035230

COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

ORIGINAL



ARIZONA CORPORATION COMMISSION

22

DATE: November 18, 2005
DOCKET NO: WS-01689A-05-0612
TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Jane Rodda. The recommendation has been filed in the form of an Order on:

CLEAR SPRINGS UTILITY COMPANY, INC.

(RATES/TARIFF)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

NOVEMBER 28, 2005

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

DECEMBER 6 AND 7, 2005

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For more information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

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AZ CORP COMMISSION
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BRIAN C. McNEIL
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8
9 IN THE MATTER OF THE APPLICATION OF
10 CLEAR SPRINGS UTILITY COMPANY, INC.
11 FOR A RATE INCREASE.

DOCKET NO. WS-01689A-05-0612

DECISION NO. _____

12 **ORDER**

13 Open Meeting
14 December 6 and 7, 2005
15 Phoenix, Arizona

16 **BY THE COMMISSION:**

17 * * * * *

18 Having considered the entire record herein and being fully advised in the premises, the
19 Commission finds, concludes, and orders that:

20 **FINDINGS OF FACT**

21 1. On August 24, 2005, Clear Springs Utility Company, Inc. ("Clear Springs" or
22 "Company") filed with the Arizona Corporation Commission ("Commission") a rate application for a
23 new sewer tariff. Clear Springs seeks to implement a new sewer connection tariff and is not
24 requesting any changes to its existing rates and charges. The Company's existing tariff does not
25 provide for sewer tap charges.

26 2. The Company mailed notice of its application to its customers via United States Mail
27 on August 23, 2005.

28 3. On September 28, 2005, the Commission's Utilities Division ("Staff") filed its Staff
Report recommending approval of the application.

4. Clear Springs provides water utility service to approximately 500 customers and sewer
service to approximately 371 customers in and around the community of Sunsites (about 26 miles
south of Wilcox) in Cochise County, Arizona.

1 5. The Company has received requests for new sewer connections and indicates that its
2 current tariffs do not provide for a charge for sewer taps. The Company indicates that the cost of
3 sewer taps may exceed \$2,500 depending on site specific conditions and requirements.

4 6. Clear Springs has submitted a Sewer Tap Charge tariff which provides that the actual
5 cost to perform the sewer connection is the responsibility of the entity requesting the sewer tap. A
6 copy of the Company's proposed "Sewer Tap Charge" is attached hereto as Exhibit A, and
7 incorporated herein by reference. The Company proposes that the sewer tap charge be non-
8 refundable.

9 7. Although the Company is not requesting any changes to its existing rates and service
10 charges for sewer service, Staff completed a review to determine if existing rates are based on a fair
11 value finding.

12 8. The Company's plant is almost fully depreciated, and when considering Advances in
13 Aid of Construction, a deduction from rate base, the Company has an adjusted Original Cost Rate
14 Base of negative \$99. The Company has waived its right to determine Reconstruction Cost Less
15 Depreciation ("RCND").

16 9. Staff reviewed invoices supporting Clear Springs' Operating Expenses, and made only
17 one adjustment to correct a clerical mistake affecting Depreciation Expense. Based on revenues of
18 \$50,771 in 2004, and Staff's adjusted Operating Income of \$8,065, the Company had an Operating
19 Margin of 15.9 percent.

20 10. Staff recommends that the Company's current Operating Margin be continued given
21 the Company's poor financial posture and the need to provide adequate funds to maintain an almost
22 fully depreciated sewer system. Thus, Staff concludes that the Company need not change its existing
23 rates and service charges at this time.

24 11. Because the new tariff does not change rates and charges for existing customers, and
25 new customers can be fully informed of the charges at the time they request service, Staff does not
26 recommend requiring the Company to send further notice of the tariff change.

27 12. The Company is in compliance with the Arizona Department of Revenue requirements
28 and has paid all taxes due under Title 42 and Title 43.

13. At the time the Staff Report was prepared the Arizona Department of Environmental Quality (“ADEQ”) had not responded to the Company’s request for a Compliance Status Report. Consequently, Staff recommends that the Company’s ADEQ Compliance Status Report be submitted and reviewed prior to the Commission voting on this item at Open Meeting.

14. Staff believes the Company's proposed sewer tap tariff, as set forth in Exhibit A, is reasonable and will permit the Company to remain financially viable.

15. Staff recommends:

(a) The Company continue to charge its existing rates and service charges;

(b) Approval of the Company's proposed sewer tap tariff as described in Exhibit A;

and

(c) That within 15 days of the effective date of a Decision in this matter, the Company docket, as a compliance item in this case, a new service tap tariff in conformance with Exhibit A.

16. Staff's recommendations as set forth above are reasonable, except that the tariff should not become effective until the Company files with Docket Control as a compliance item, a notice from ADEQ that its sewer system is in substantial compliance with ADEQ regulations.

CONCLUSIONS OF LAW

1. Clear Springs is a public service corporation pursuant to Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Clear Springs and the subject matter of the application.

3. Notice of the application was provided in accordance with the law.

4. The Company's current rates and charges are just and reasonable.

5. The sewer tap tariff attached hereto as Exhibit A, is reasonable and in the public interest.

6. The recommendations set forth in Findings of Fact Nos. 11, 15 and 16 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the Sewer Tap Tariff submitted for approval by Clear

1 Springs Utility Company, Inc., and attached hereto as Exhibit A, is approved.

2 IT IS FURTHER ORDERED that within 15 days of the effective date of this Decision, Clear
3 Springs Utility Company, Inc. shall file, as a compliance item in this case, a new service tap tariff in
4 conformance with Exhibit A.

5 IT IS FURTHER ORDERED that the Sewer Tap Tariff attached as Exhibit A, shall be
6 effective as of the date Clear Springs Utility Company files with Docket Control as a compliance
7 item, a notice from ADEQ that its sewer system is in substantial compliance with ADEQ regulations.

8 IT IS FURTHER ORDERED that Clear Springs Utility Company, Inc. shall continue to
9 charge its existing rates and service charges.

10 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

11 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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13
14 CHAIRMAN

COMMISSIONER

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17 COMMISSIONER

COMMISSIONER

COMMISSIONER

18
19 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
20 Director of the Arizona Corporation Commission, have
21 hereunto set my hand and caused the official seal of the
22 Commission to be affixed at the Capitol, in the City of Phoenix,
23 this ____ day of _____, 2005.

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BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

JR:mj

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SERVICE LIST FOR: CLEAR SPRINGS UTILITY COMPANY, INC.

DOCKET NO.: WS-01689A-05-0612

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ARIZONA CORPORATION COMMISSION
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Sewer Tap Charges:

(Non-refundable pursuant to A.A.C. R14-2-605)

Requests for sewer taps will be processed as indicated below and will be charged non-refundable Permitted Costs* as defined herein.

*Permitted Cost

- A. Costs shall be verified by invoice.
- B. For services that are provided by the Company at cost, cost shall include all labor, materials, other charges incurred, and overheads. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After a review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.
- C. In the event the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of service or after the Company's receipt of invoices, time sheets or other related documents, which ever is sooner.
- D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, which ever is later. The amount so billed will be due and payable 30 days after the invoice date. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the customer will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.
- E. All amounts paid by the customer will be considered a non-refundable contribution in aid of construction pursuant to A.A.C. R14-2-605.
- F. At the customer's request, the Company shall make available all invoices, timesheets or related documents to support the cost for providing service.
- G. Permitted cost shall include any state or federal income taxes that are or may be payable by the Company as a result of any tariff or contract for wastewater facilities for which the customer advances or contributes funds or facilities to the Company.